

PPB Group (PEP MK)

Negative Surprises Likely Out Of The Way

Highlights

- We remain positive on PPB's 2026 earnings outlook, driven by both its core businesses as well as Wilmar's associate earnings.
- Agribusiness' profitability is still expected to remain supported by a relatively stable cost base, whereas the film segment is likely to leverage on another robust line-up of movie releases this year.
- Maintain BUY with an unchanged SOTP-derived target price of RM14.10.

Analysis

- **2025 key highlights.** PPB Group's (PPB) core operations performed strongly in 2025 with PBT rising 41% yoy to RM480m, accounting for a higher 30% share of the group's total PBT vs 26% in 2024. Key drivers include the agribusiness segment which posted 22% higher PBT contribution of RM393m thanks to lower cost of sales. In addition, the film segment's PBT surged to RM68m vs merely breaking even in 2024 (RM4m) thanks to higher box office takings. Meanwhile, Wilmar's PBT contribution to the group rose 13% yoy to RM1,118m, with the associate company recording core earnings growth of 10% last year. Despite receiving lower dividend income last year, PPB's net cash balances nonetheless rose 45% to RM1.85b attributed to its operations' stronger cash flow generation.
- **Core businesses to sustain positive momentum.** While the group is wary of the heightened global trade and geopolitical uncertainties, management remains optimistic on delivering another firm performance in 2026, with both its agribusiness and film segments expected to sustain last year's positive momentum. For agribusiness, management believes that its cost base should remain relatively stable overall despite forecasting slight increases in logistics costs and persisting commodity market volatility in the short run; the segment's core wheat feedstock is expected to see relatively stable prices due to ample market supply. At the same time, the strengthening of the ringgit against the US dollar over the past year is also expected to provide some cost relief buffer to the group given its reliance on raw material imports. This is also expected to benefit its film segment which sources overseas film rights. For the film segment, management is optimistic about achieving further traffic growth with another robust line-up of movie titles anticipated in 2026.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	5,386	5,432	6,897	7,035	7,176
EBITDA	309	(3,739)	268	273	279
Operating profit	309	(3,739)	268	273	279
Net profit (rep./act.)	1,219	(2,733)	1,507	1,600	1,618
Net profit (adj.)	1,135	1,288	1,507	1,600	1,618
EPS (sen)	79.8	90.4	105.8	112.4	113.6
PE (x)	13.6	12.0	10.3	9.7	9.6
P/B (x)	0.6	0.7	0.7	0.6	0.6
EV/EBITDA (x)	76.9	-	64.7	63.4	62.1
Dividend yield (%)	3.9	3.9	4.2	4.6	4.7
Net margin (%)	22.6	(50.3)	21.8	22.7	22.5
Net debt/(cash) to equity (%)	1.0	(3.1)	(2.3)	(2.4)	(2.5)
Interest cover (x)	4.8	5.9	5.7	5.5	5.3
ROE (%)	4.8	-	6.6	6.8	6.8
Consensus net profit	-	-	1,430	1,438	-
UOBKH/Consensus (x)	-	-	1.06	1.05	-

Source: PPB Group, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM12.20
Target Price	RM14.10
Upside	15.6%

Analyst(s)

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Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	PEP MK
Shares issued (m):	1,422.6
Market cap (RMm):	18,132.3
Market cap (US\$m):	4,145.7
3-mth avg daily t'over (US\$m):	0.8

Price Performance (%)

52-week high/low				RM4.08/RM3.42
1mth	3mth	6mth	1yr	YTD
5.6	8.2	6.5	1.8	17.3

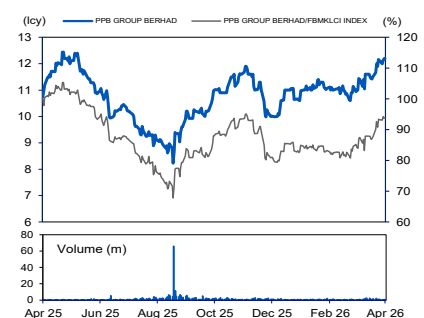
Major Shareholders

	%
Kuok Brothers SB	50.6

Balance Sheet Metrics

	%
FY25 NAV/Share (RM)	19.2
FY25 Net Debt/Share (RM)	0.19

Price Chart



Source: Bloomberg

Company Description

Core businesses are grains trading, flour trading and animal feed milling as well as downstream activities such as livestock farming, food processing, bakery, and marketing and distribution of consumer products.

- Dividend commitment reiterated; Wilmar kitchen-sinking one and done.** During its analyst briefing, PPB clarified that the RM4.2b impairment for its Wilmar associate was prompted by the widened gap between Wilmar's book value vs its market value, and has fully impaired the legacy goodwill in its balance sheet. Management has regarded this as a one-off, non-cash accounting adjustment while emphasising that this would have no bearing on its ability and commitment to pay out dividends, with reference to the group's strong cash flow generation as well as net cash position. Notably, the group has maintained a DPS payout of 42 sen in 2025, despite the drop in dividend income received from Wilmar. Overall, management remains confident in Wilmar's long-term prospects and expects the associate to remain a strong earnings contributor to the group.

Valuation/Recommendation

- Maintain BUY with an unchanged target price of RM14.10.** Our SOTP valuation currently implies 13x 2026 PE, or -0.5SD to the stock's five-year historical mean. We continue to like the stock for its steady earnings outlook supported by both its internal operations as well as associate income from Wilmar, which is forecasted to post a 17% core earnings growth in 2026.

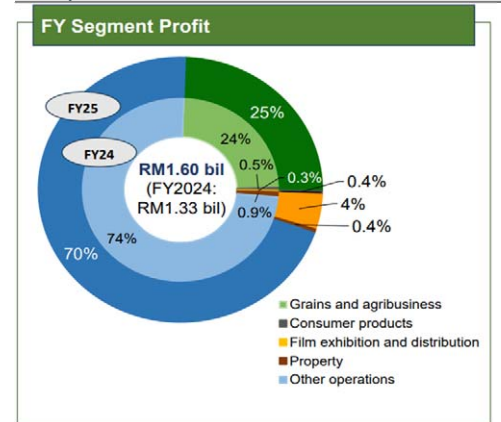
Earnings Revision/Risk

- 2026-28F earnings estimates maintained.** For 2026, we expect PPB's underlying earnings to come in stronger yoy, underpinned by both its core operations as well as associate contributions. For Wilmar, we expect underlying earnings visibility to improve after various one-off losses as well as accounting gains booked in 2025 which distorted its headline earnings trend. We continue to remain optimistic on the associate's improving business performance in China.

Share Price Catalyst

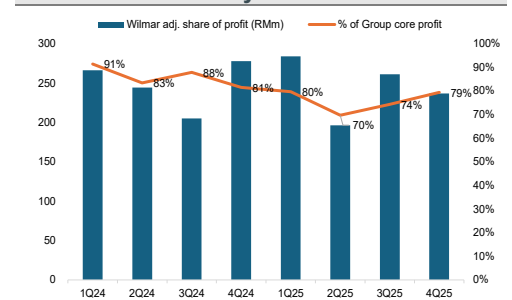
- Stronger-than-expected CPO prices and associate income contribution.
- Better-than-expected operating margins by its agribusiness and film segments.

Segmental Profit Contribution (2025 vs 2024)



Source: PPB Group

Associate Income By Wilmar To PPB



Source: PPB Group

SOTP Valuation

SOTP	PE (x)	RM/share
Grains & Agribusiness	38	4.46
Consumer Products	20	0.21
Film exhibition & distribution	25	1.04
Property	8	0.10
Stake in associates		
Wilmar International		8.40
Malaysian Bulk Carriers		0.03
Fair value (round-off)		14.10

Source: UOB Kay Hian

ESG Roadmap

Environmental
- Five-year target to reduce the energy-use intensity for flour and feed production by 5% by 2028.
- Targets to reduce GHG emissions of flour and feed mills by 3% by 2025 and 5% by 2031.
Social
- Commenced implementation of Group's Human Rights Policy across its supply chain.
- Zero fatalities in all business divisions.
Governance
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	5,432	6,897	7,035	7,176
EBITDA	(3,739)	268	273	279
Deprec. & amort.	0	0	0	0
EBIT	(3,739)	268	273	279
Total other non-operating income	0	0	0	0
Associate contributions	1,200	1,425	1,539	1,553
Net interest income/(expense)	75	26	26	27
Pre-tax profit	(2,575)	1,644	1,763	1,784
Tax	(104)	(82)	(106)	(107)
Minorities	(54)	(55)	(58)	(59)
Net profit	(2,733)	1,507	1,600	1,618
Net profit (adj.)	1,288	1,507	1,600	1,618

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	18,371	19,271	20,216	21,209
Other LT assets	1,953	2,163	2,373	2,583
Cash/ST investment	2,039	1,879	1,915	1,967
Other current assets	1,714	1,275	1,681	1,307
Total assets	25,052	26,022	26,947	27,873
ST debt	1,279	1,279	1,279	1,279
Other current liabilities	44	44	44	44
LT debt	74	74	74	74
Other LT liabilities	385	385	385	385
Shareholders' equity	22,118	22,979	23,841	24,703
Minority interest	840	895	953	1,011
Total liabilities & equity	25,052	26,022	26,947	27,873

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	(3,906)	(123)	29	32
Pre-tax profit	(2,575)	1,644	1,763	1,784
Tax	(104)	(82)	(106)	(107)
Deprec. & amort.	0	0	0	0
Working capital changes	0	0	0	0
Other operating cashflows	(1,221)	(1,471)	(1,609)	(1,624)
Investing	193	259	304	317
Capex (maintenance)	(210)	(210)	(210)	(210)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	403	469	514	527
Financing	(299)	(299)	(299)	(299)
Dividend payments	(299)	(299)	(299)	(299)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	(4,012)	(162)	34	50
Beginning cash & cash equivalent	1,089	2,039	1,879	1,915
Changes due to forex impact	4,963	2	2	2
Ending cash & cash equivalent	2,039	1,879	1,915	1,967

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	(70.4)	3.9	3.9	3.9
Pre-tax margin	(47.4)	23.8	25.1	24.9
Net margin	(50.3)	21.8	22.7	22.5
ROA	(10.7)	5.8	6.0	6.0
ROE	(12.1)	6.6	6.8	6.8
Growth				
Turnover	0.9	27.0	2.0	2.0
EBITDA	(1,309.7)	(107.2)	2.1	2.1
Pre-tax profit	(10.5)	(293.2)	(163.8)	7.3
Net profit	(12.5)	(324.1)	(155.1)	6.2
Net profit (adj.)	13.5	17.0	6.2	1.1
EPS	13.5	17.0	6.2	1.1
Leverage				
Debt to total capital	5.9	5.7	5.5	5.3
Debt to equity	6.1	5.9	5.7	5.5
Net debt/(cash) to equity	(3.1)	(2.3)	(2.4)	(2.5)
Interest cover (x)	5.9	5.7	5.5	5.3

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